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Statistics of international trade in services

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-second session (see E/2001/24, chap. III.C), the Secretary-General has the honour to transmit the report of the inter-agency Task Force on Statistics of International Trade in Services on the revision of the existing *Manual on Statistics of International Trade in Services*, which is presented to the Commission for consideration and approval. The Commission is invited to express its views on the report and to adopt the revised *Manual*.

* E/CN.3/2010/1.

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Report of the Task Force on Statistics of International Trade in Services

Summary

In accordance with the mandate conferred by the Statistical Commission at its thirty-second session to update and revise the 2002 *Manual on Statistics of International Trade in Services*, the present report briefly describes the revision process carried out by the inter-agency Task Force on Statistics of International Trade in Services, summarizes the organization of the work of the Task Force and presents the new features of the revised manual, its relation to and alignment with other relevant statistical frameworks, the worldwide consultation process and, lastly, the proposed implementation programme and future work.

The Statistical Commission is invited to take note of the report, comment on the thematic and implementation strategy and approve the revised draft *Manual*, which is available to the Commission in a conference room paper.

I. Introduction

1. The present report of the inter-agency Task Force on Statistics of International Trade in Services summarizes the activities carried out by the Task Force in accordance with the decisions taken by the Statistical Commission at its thirty-second session in the area of international trade in services statistics (see E/2001/24, chap. III.C), whereby the Commission:

(a) Approved the manual prepared by the Task Force on International Trade in Services as an international manual, and commended the Task Force for its work;

(b) Noted the proposal brought forward by the World Tourism Organization, and responded that the detail requested should be elaborated in satellite accounts but not in that particular manual;

(c) Recommended that the Task Force continue its work, focusing on the proposed users' manual on data collection as the next step;

(d) Noted the fact that the implementation of the manual would be a long-term process;

(e) Agreed to the proposal for international data collection on trade in services, as brought forward by the Task Force, noting that full coordination between agencies was required and that implementation of the data collection would also require a phased process.

2. The organization of the process of revising the *Manual on Statistics of International Trade in Services* since the thirty-second session of the Statistical Commission is described in section II below. Section III presents an overview of the revised *Manual* submitted to the Commission for its consideration and approval and a proposed implementation programme. A conference room paper contains the full revised draft *Manual* endorsed by the Task Force on Statistics of International Trade in Services at its meeting on 19 and 20 November 2009. Points for discussion are set out in section IV of the present report.

II. Organization of the revision process since the thirty-second session of the Statistical Commission

3. In implementing the decisions of the Statistical Commission, the Task Force began by organizing the revision process and developing its views on the scope and content of the future revised *Manual*. The revision process included eight (biannual) meetings of the Task Force, three worldwide consultations involving data producers, policymakers, international organizations and regional bodies and, beginning in 2008, two joint meetings with the inter-agency Task Force on International Merchandise Trade Statistics. There was close cooperation with the International Monetary Fund (IMF) in developing the methodology on services presented in the sixth edition of the IMF *Balance of Payments Manual*. Meanwhile, as IMF was planning to revise its compilation guide following the release of the *Balance of Payments Manual*, the Task Force decided to postpone the drafting of a compilation guide. Another reason for this postponement was the existence of some compilation guidance on Foreign Affiliates Statistics in the *OECD Handbook on Economic Globalisation Indicators*, published by the Organization for Economic Cooperation

and Development (OECD), and the (at that time forthcoming) *Recommendations Manual on the Production of Foreign Affiliates Statistics*, published by the Statistical Office of the European Communities (Eurostat).

A. Task Force on Statistics of International Trade in Services

4. The inter-agency Task Force on Statistics of International Trade in Services is convened by OECD and includes representatives from the World Trade Organization, the Statistics Division of the Department of Economic and Social Affairs of the United Nations Secretariat, IMF, Eurostat, the United Nations Conference on Trade and Development (UNCTAD) and the World Tourism Organization. More recently, other organizations have been involved, either in the discussion on specific topics (World Health Organization (WHO) and United Nations Educational, Scientific and Cultural Organization (UNESCO)), or to attend meetings of the Task Force (Economic Commission for Latin America and the Caribbean (ECLAC)), or to organize the venue of the meetings of the Task Force (Economic and Social Commission for Asia and the Pacific (ESCAP) and Economic and Social Commission for Western Asia (ESCWA)). The Task Force has always invited country experts to participate in its meetings, and Germany, Italy, Japan and the United States of America have contributed to the preparation of the draft revised *Manual*. The Task Force has also benefited from the advice of a number of expert consultants. Efforts to involve developing countries in the revision process are illustrated by the holding of various seminars in these countries and by the involvement of regional organizations (ECLAC, ESCAP and ESCWA) in the Task Force.

B. New features in the revised draft *Manual*

5. The revised draft *Manual* is designed to serve a broad spectrum of statistical needs, but places special emphasis on those of the General Agreement on Trade in Services. As noted at the beginning of the revision process, in the report submitted to the Statistical Commission in March 2005 (E/CN.3/2005/6), it was proposed that the second edition of the *Manual* would involve a limited updating, aligning the *Manual* as far as possible with well-established revised standards for compilation, in particular the sixth edition of the IMF *Balance of Payments Manual*, the 2008 System of National Accounts and the revised *OECD Benchmark Definition of Foreign Direct Investment*. Nonetheless, the draft revised *Manual on Statistics of International Trade in Services* takes a broader view of international trade in services than the conventional balance of payments perspective set out in the IMF *Balance of Payments Manual*.

6. The *Manual on Statistics of International Trade in Services* provides a more detailed classification of services delivered through conventional trade between residents and non-residents than is contained in the IMF *Balance of Payments Manual*. The Extended Balance of Payments Services Classification (2010) has been revised in line with existing statistical frameworks. The *Manual on Statistics of International Trade in Services* includes a treatment of local delivery of services through foreign commercial presence and takes a further step towards linking these two systems. The *Manual* includes a new chapter discussing "modes of supply" described in the General Agreement on Trade in Services through which services

can be delivered and presents recommendations for a statistical treatment of these modes. Correspondence tables will be provided as online documents between the Extended Balance of Payments Services Classification (2010), version 2 of the Central Product Classification, revision 4 of the International Standard Industrial Classification of All Economic Activities and the General Agreement on Trade in Services negotiating list. The annex to the *Manual on Statistics of International Trade in Services* in which the nature and purpose of the Tourism Satellite Account is presented has been updated. A new analytical annex will be provided online on the website of the Task Force, which is hosted by the Statistical Division. In a few areas, the *Manual* identifies the need for further development work after publication. A more complete summary of the *Manual* is provided in section III below.

C. Worldwide consultations and joint sessions of the Task Force on Statistics of International Trade and the Task Force on International Merchandise Trade Statistics

7. Extensive consultations and review processes have been undertaken in the preparation of the revised *Manual on Statistics of International Trade in Services*. A chronology of these processes is contained in the annex to the present report. In addition to reviews by a range of expert groups[1] and public availability of drafts on the Task Force website, the Task Force organized a worldwide consultation in three stages. Drafts of the *Manual* were then circulated by the Statistics Division, the World Trade Organization and IMF to statistical organizations, central banks, trade delegations, international organizations and regional bodies of all their respective member States. At each stage, responses were, on the whole, very supportive. Some respondents, however, warned that it would be difficult to collect data within some of the data breakdowns suggested in the *Manual*.

8. The first stage of the worldwide consultation review process was held from May to July 2006, from which 114 sets of comments from States were received. Reviewing these remarks at the January 2007 meeting held at the headquarters of the World Tourism Organization in Madrid, the Task Force agreed to add an analytical annex to the *Manual* and to develop a chapter on trade in services statistics by mode of supply.

9. The second stage of the review process was conducted in September, October and November 2008, following the March 2008 meeting of the Task Force in Vienna. About 100 additional responses were received. At the Vienna meeting, following the request of the Statistical Commission at its session in February 2008 (resolution 39/109) that the revised recommendations on the concept and definitions of international merchandise trade be harmonized to the extent possible with the updated recommendations regarding statistics of international trade in services, the Task Force held its first joint session with the inter-agency Task Force on International Merchandise Trade Statistics. The purpose of this first joint meeting was twofold: firstly, to coordinate with the Task Force on International Merchandise Trade Statistics on compilation matters associated with cross-cutting issues between goods and services; and secondly, on presentational and harmonization matters, to

[1] Parts of the *Manual* have been discussed by the Advisory Expert Group on National Accounts and by the Group of Experts on the Impact of Globalization on National Accounts.

allow for an improved consistency with the IMF *Balance of Payments Manual* and the 2008 System of National Accounts, which were still being fine-tuned at that time. At the February meeting of the Task Force on Statistics of International Trade in Services, it was also decided to delay the submission of the revised *Manual on Statistics of International Trade in Services* to the Statistical Commission in order to be able to stress the cooperation that had taken place between both Task Forces in harmonizing the work.

10. The third stage of the worldwide consultation was held from July to August 2009, following the March 2009 meeting of the Task Force on Statistics of International Trade in Services in Bangkok. In this stage, 38 countries responded and 25 provided comments on the revised text of the *Manual*. A second joint meeting between the Task Force on International Merchandise Trade Statistics and the Task Force on Statistics of International Trade in Services also took place in Bangkok.

III. Summary of the revised draft *Manual*, overview of the implementation programme and future work

A. Summary of the revised draft *Manual*

11. The *Manual on Statistics of International Trade in Services* addresses the needs of a variety of producers and users of statistics related to trade in services. While it is primarily a guide for statistical compilers, it is also a tool for Governments and international organizations that use statistical information in connection with international negotiations on trade in services. The *Manual* also provides economists and policy analysts with an important instrument for better assessing the role of services in the context of economic globalization. Furthermore, it can aid businesses and others that need to monitor developments in international services markets.

12. The first version of the *Manual* was approved and adopted by the Statistical Commission at its thirty-second session, in March 2001, and was officially published in 2002. It represented an important step forward relative to previous standards, providing a clearer, more detailed and comprehensive system for measuring services trade.

13. The updated *Manual* is particularly important for trade agreements, since these often cover services in addition to goods. Statistics are therefore needed on both goods and services, to guide negotiations and to support implementation of these agreements. The most well-known and wide-reaching agreement involving services is the General Agreement on Trade in Services, which came into effect in 1995. The need for statistics has fuelled the demand for developing a more comprehensive and integrated approach to statistical issues pertaining to trade in services.

14. The conceptual framework of the *Manual* is not only built around the requirements of the General Agreement on Trade in Services negotiations, but also on the concepts defined in the System of National Accounts and the IMF *Balance of Payments Manual*, and those related to Foreign Affiliates Statistics and the *OECD Benchmark Definition of Foreign Direct Investment* (fourth edition). The *Manual* is written along the lines of those three pillars.

15. Since the publication of the first version of the *Manual*, significant revisions have affected the System of National Accounts and the *Balance of Payments Manual*, as well as related classifications such as the Central Product Classification and the International Standard Industrial Classification of All Economic Activities. To keep its concepts and definitions consistent, the *Manual* has been updated accordingly.

16. During the first worldwide consultation, apart from updating the *Manual* in respect of conceptual changes in related conceptual frameworks and classifications, the opportunity was seized to ask the opinion of States on conducting an overall review of the *Manual*.

17. As a result, the related chapters of the *Manual* were updated. Chapter III reflects the updates in the recently released sixth edition of the IMF *Balance of Payments Manual*. Chapter IV now distinguishes more clearly between inward and outward Foreign Affiliates Statistics and is aligned with updates given in the *Balance of Payments Manual*, the *OECD Benchmark Definition* and the current *OECD Handbook on Economic Globalisation Indicators*. Further, a more in-depth discussion of modes of supply is given in a separate chapter (chap. V). A new analytical annex will be provided online and updated regularly. There is also an updated annex clarifying the relation between the *Manual* and the *2008 International Recommendations for Tourism Statistics* and the *Tourism Satellite Account: Recommended Methodological Framework 2008*.[2] Other annexes, and in particular the classification correspondence tables, will be presented online in order to allow modification as the common understanding of the impact of the changes to the different classifications improves over time.

18. An important feature of the *Manual* is a description of the modalities through which services may be supplied, of which the General Agreement on Trade in Services identifies four: cross-border, consumption abroad, commercial presence and presence of natural persons. Distinctions between these modes are based on whether the service supplier, the consumer, or neither, are present in one country or another for the transaction to be effected.

19. The *Manual* reflects an emerging international consensus on the need for statistics on commercial presence of firms in which a foreign investor has control.

20. Since the publication of the first version of the *Manual*, significant improvements have been made in clarifying statistical concepts and definitions for the supply of services through the presence of natural persons. This newly developed framework is included in chapter V of the *Manual*.

21. The sixth edition of the IMF *Balance of Payments Manual* differs from its previous version on a number of issues, including some related to the goods and services account. Following the recommendation of the 2008 System of National Accounts to strictly apply the change-of-ownership principle, certain economically important items were rearranged in the classification of goods and services. This was the case for goods sent abroad for processing and returned without a change of ownership (goods for processing), which was moved from the goods account to the services account, and for merchanting, which was moved from the services account

[2] United Nations publication, Sales No. E.08.XVII.27.

to the goods account. Repairs of equipment were reclassified from the goods account to the services account.

22. The Extended Balance of Payments Services Classification is an extension of the main services components of the balance of payments. Consequently, the Classification was changed by introducing two new main components: "Manufacturing services on physical inputs owned by others"; and "Maintenance and repairs not included elsewhere"; and by removing "Merchanting" from "Other business services".

23. The treatment in the present *Manual* of both balance of payments statistics on trade in services and Foreign Affiliates Statistics, even within the constraints of current statistical frameworks, represents a significant step towards better linking these two frameworks. This linkage poses a challenge to statisticians, who may have to draw on expertise and information spread among central banks, national statistical offices and Government ministries. As statistics on trade in services are developed, more cooperation will be required among the institutions involved within countries.

24. The *Manual* suggests that compilers implement a complete set of elements that build on internationally agreed standards and recommendations, so as to progressively achieve comparability of published statistics on international trade in services. These elements, if fully implemented, would represent a considerable increase in the information available on trade in services. It is recognized that many States will see the full implementation of the recommendations as a long-term goal.

B. Overview of the implementation programme and future work

25. The *Manual* proposes a phased approach to the implementation of its recommendations. This will allow States, including those that are beginning to develop statistics on international trade in services, to gradually structure the available information in line with this international standard framework. The sequence of recommendations takes into account the relative ease that many compilers may find in their implementation. The order is quite flexible, so that States can meet the priority needs of their own institutions. Full implementation — to be seen as a long-term goal — would provide a considerable increase in the information available on trade in services. Such a goal should, however, be viewed as a compromise between the detailed needs of users and the difficulty of data collection experienced by compilers.

26. The *Manual*, building on the existence of other frameworks, and expanding upon them, lists four elements to be implemented: (a) the sixth edition of the IMF *Balance of Payments Manual*; (b) the Extended Balance of Payments Services Classification, with some detail and partner country data for the 12 main categories of services identified as a first priority; (c) foreign direct investment (FDI) statistics based on the fourth revision of the *International Standard Industrial Classification of All Economic Activities*, by partner country detail and major activity categories; and (d) Foreign Affiliates Statistics by activity (basic variables), partner country detail and major industry categories and other recommended elements, including the Extended Balance of Payments Services Classification (full details), Foreign Affiliates Statistics (further details), trade between related and unrelated parties,

General Agreement on Trade in Services modes of supply and presence of natural persons.

27. In response to this challenge, the Task Force will provide its assistance in developing the sixth edition of the IMF *Balance of Payments Manual* compilation guide with respect to trade in services (chap. 10 of the IMF *Manual*). Involvement of country practice is seen as essential in this respect and the Task Force on Statistics of International Trade in Services plans to expand to cover a broad range of expertise. The Task Force will also coordinate implementation of the *Manual* by organizing technical assistance in the context of a capacity-building programme. In this context, one annual seminar is expected to be organized. In addition, the Task Force will focus on issues such as data capturing for partner country breakdown, data consistency checking and compiling Foreign Affiliates Statistics.

28. For developing the compilation guide, a modular approach with a "virtual" structure is favoured. As modules are prepared, they will be analysed and agreed at seminars of compilers and then posted on the Internet. After completion, a print version may be issued. The programme of modules will be developed and reviewed regularly by the Task Force.

29. In general as States implement the recommendations of the *Manual*, they are encouraged to provide explanatory notes alongside published data on data coverage and applied concepts and definitions to enhance transparency. This will improve data quality and the ability of users to compare data internationally.

30. Building on the above elements, as well as on discussions during recent meetings of the Task Force on Statistics of International Trade in Services and the Task Force on International Merchandise Trade Statistics and in the joint sessions of the two Task Forces, the Task Force on Statistics of International Trade in Services agreed on the following recommendations and guidelines for future joint work:

(a) **Give priority to the implementation of the recommendations of the 2010 *Manual on Statistics of International Trade in Services*;**

(b) **Develop complementary compilation guidance on balance of payments trade in services items (in relation to the IMF *Balance of Payments Manual* compilation guidance on services), Foreign Affiliates Statistics and other aspects developed in chapter V;**

(c) **Establish a statistical capacity-building programme and coordinate technical assistance among the members of the Task Force for the implementation of the 2010 *Manual* recommendations;**[3]

(d) **Improve data quality of trade in services and Foreign Affiliates Statistics (including metadata);**

(e) **Develop a more integrated statistical view for both services and goods in collaboration with the Task Force on International Merchandise Trade Statistics on:**

(i) **Dissemination of an integrated list of variables;**

[3] The World Trade Organization Hong Kong Ministerial Declaration also refers, in annex C, to targeted technical assistance. It spells out that "... such assistance should be provided on, inter alia, compiling and analysing statistical data on trade in services ...".

(ii) Cross-cutting issues between trade in services and merchandise;

(iii) Identifying data sources to collect trade in goods for processing, intra-firm trade and related transactions;

(iv) Trade by enterprise characteristics, linking business to trade registers, including enterprise groups.

IV. Points for discussion

31. **The Commission may wish to:**

(a) Review and adopt the revised *Manual on Statistics of International Trade in Services*, 2010, including its recommendations;

(b) Endorse the *Manual on Statistics of International Trade in Services*, 2010 implementation programme presented above, including preparation of guidance for compilers and providing technical assistance to States;

(c) Support the initiatives of the Task Force on Statistics of International Trade in Services with regard to facilitating data compilation by States using recommendations of the *Manual on Statistics of International Trade in Services*, 2010;

(d) Request the Task Force to continue its work aiming, inter alia, to further develop the analytical potential of international trade in services statistics to more effectively address globalization and related issues.

Annex

Chronology of actions, consultations and reviews by the Task Force on Statistics of International Trade in Services for the revision of the *Manual on Statistics of International Trade in Services*

Date/location	*Activity*
2005	
2-3 February, Paris	A first step was agreed in the process of revising the *Manual on Statistics of International Trade in Services*, which would be limited in scope: to review the Extended Balance of Payments Services Classification. Any changes in that Classification should be consistent with the revision of the fifth edition of the IMF *Balance of Payments Manual* and take into account Central Product Classification. The Task Force would contribute to both the revision of the IMF *Balance of Payments Manual* and the Central Product Classification regarding trade in services.
1-4 March, New York	Review of Task Force activities by the Statistical Commission.
5 September, Paris	Redrafting begins. A proposal is made for a new chapter on mode 4.
2006	
21-22 February, New York	Proposal is made to add an analytical annex. **First worldwide consultation**: the preparation of a consultation document to be distributed in early May 2006 for about 10 weeks was agreed.
7-10 March, New York	Review of Task Force activities by the Statistical Commission.
May-July	**First worldwide consultation.**
15 September, Paris	Initial review of responses to first worldwide consultation on issues for the update of the *Manual* requesting responses by the end of July 2006. A clearer separation of the discussion on inward and outward Foreign Affiliates Statistics was agreed in chapter 4. The worldwide consultation confirmed that

Date/location	*Activity*
	there was interest in developing an analytical annex. There was an agreement to prepare a draft annotated outline of the *Manual* for discussion in January 2007 and on sharing the workload.
2007	
22-24 January, Madrid	Second review of responses to the first worldwide consultation on issues for the update of the *Manual* (114 responses from 89 States and 6 international organizations). Confirmation of the decision to develop a detailed discussion, not only on mode 4 but on all modes of supply in chapter 5, implementing results of work undertaken under the Task Force Technical Sub-group on the Movement of Natural Persons — Mode 4.
20-21 September, Paris	Further alignment of chapter 4 with the latest draft of the *OECD Benchmark Definition of Foreign Direct Investment*, chapter 8 on foreign direct investment and globalization, which in turn was closely consistent with the *OECD Handbook on Economic Globalisation Indictors* and the text of chapter 4 of the original *Manual on Statistics of International Trade in Services*. Proposal for a joint meeting of the Task Forces on International Merchandise Trade Statistics and Statistics on International Trade in Services was agreed.
2008	
24-27 February, New York	Review of Task Force activities by the Statistical Commission.
25-27 March, Paris	Comments on chapter 4 invited from the OECD Workshop on International Investment Statistics.

Date/location	*Activity*
26-28 March, Vienna	The meeting included the first joint session of the inter-agency Task Forces on International Merchandise Trade Statistics and Statistics on International Trade in Services. A delay was proposed in the submission of the *Manual* to the Statistical Commission to allow harmonization with merchandise trade statistics recommendations to the extent possible. Posting in summer 2008 of draft chapters for public consultation (**second worldwide consultation**) was decided.
29 August-24 November	**Second worldwide consultation.**
22-24 September, Paris	Draft manual reviewed by the OECD Working Party on Trade in Goods and Trade in Services Statistics.
25 September, Paris	Discussion in the Task Force on Statistics of International Trade in Services on the best way to deal with merchandise and service trade cross-cutting issues.
1-3 October, Manila	Draft revised *Manual* presented at seminar of the Asia Pacific Economic Consultation.
7-9 October, Kiev	Draft revised *Manual* presented at workshop for the Commonwealth of Independent States countries.
15-17 October, Beijing	Draft revised *Manual* presented at the Ministry of Commerce of the People's Republic of China seminar on international trade in services.
29-31 October, Mexico	Draft revised *Manual* presented at ProMexico seminar to Mexico and other countries from the region (trade in services statistics by mode of supply).
2009	
10-12 March, Bangkok	The meeting included the second joint session of the inter-agency Task Forces on International Merchandise Trade Statistics and Statistics on International Trade in Services. Discussion of the revised draft following the second worldwide consultation (100 responses including 77 elaborated). It was agreed that the final drafts should be available by mid-June 2009.

Date/location	*Activity*
15-17 June, Durban	International workshop on trade in services statistics for Brazil, China, India and the Russian Federation and other selected countries, organized by the World Bank (presentation of the revised *Manual*).
July-August	Third worldwide consultation: posting of final drafts for public review with notice to States on the possibility to provide input.
16-18 and 19-20 November, Paris	Review of the draft *Manual* by the OECD Working Party on Trade in Goods and Trade in Services Statistics and by the Task Force on Statistics of International Trade in Services. Report by an external consultant on the consistency of the *Manual* across chapters.
1-4 December, Rio de Janeiro	Draft revised *Manual* presented at workshop on trade in services organized by the Statistics Division of the Department of Economic and Social Affairs, the Central Bank of Brazil and the Brazilian Institute of Geography and Statistics to the Economic Commission for Latin America and the Carribbean regions.